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## Common Policy Declarations

Policy Issued By: The Fidelity And Casualty Company Of New York  
(A New Hampshire Corporation) A Stock Company (15)  
General Offices 180 Maiden Lane, NY, NY 10038

Policy No. DBA 22 390 1731

Producer's Name and Address: Rutherford International Inc.  
5500 Cherokee Avenue  
Suite 300  
Alexandria, VA 22312

Producer Code: 2550

Named Insured: Blackwater Security Consulting, LLC  
850 Puddin Ridge Road  
Moyock, NC 27958  
Address: USA

Policy From March 18, 2004 to June 18, 2004 at  
Period 12:01 A.M. Standard Time at your mailing address shown above.

### Business Description: Security Services

In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy. This policy consists of the following coverage forms for which a premium is indicated. This premium may be subject to adjustment.

<u>Coverage Form</u>	<u>Premium</u>
International Commercial Property Coverage Form	Excluded
International Business Income Coverage Form	Excluded
International Boiler and Machinery Coverage Form	Excluded
International Employee Dishonesty and/or Crime Coverage Form	Excluded
International Commercial General Liability Coverage Form	Excluded
International Employee Benefits Liability Coverage Form	Excluded
International Business Travel AD&D Coverage Form	Excluded
International Ocean Cargo Coverage Form	Excluded
International Automobile DIC/ Excess Liability Coverage Form	Excluded
International Voluntary Workers' Compensation and Employers' Liability Coverage Form	\$407,751
International Kidnap and Ransom/Wrongful Detention Coverage Form	Excluded
International Confiscation, Expropriation and Nationalization Coverage Form	Excluded
International Companion Services	Excluded

Total Advance Premium: \$407,751  
Subject to a Minimum Earned Premium of: \$400,000

Parts of this policy auditable? Yes

Form(s) and Endorsement(s) applicable to all Coverage Forms and made a part of this policy at time of issue:  
WP 0001 02 01, WP 0010 02 01

THESE DECLARATIONS TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE FORM DECLARATIONS, COVERAGE FORM(S) AND OTHER FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

COUNTERSIGNED

March 3, 2004  
(Date)

BY

C. Michael Davis  
(Authorized Representative)



## International General Change Endorsement

Endorsement No. 2

This endorsement forms a part of the designated policy and applies, unless otherwise stated herein, as of the effective time and date of such policy. This endorsement shall not be binding upon the company unless countersigned by a duly authorized representative of the company.

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(A New Hampshire Corporation) A Stock Company (15)  
General Offices 180 Maiden Lane, NY, NY 10038 Policy No. DBA 22 390 1731

Producer's Name and Address Rutherford International Inc.  
5500 Cherokee Avenue  
Suite 300  
Alexandria, VA 22312 Producer Code:  
2550

Named Insured Mailing Address Blackwater Security Consulting, LLC  
850 Puddin Ridge Road  
Moyock, NC 27958  
USA

Effective March 18, 2004 at 12:01 A.M.

ADDITIONAL PREMIUM

\$

RETURN PREMIUM

\$

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement applies to insurance provided under the following Coverage Form:

### *Common Policy Conditions*

It is agreed and understood that the following endorsement is added to the policy:

### **NAMED INSURED ENDORSEMENT**

The Named Insured is amended to read:

Blackwater Security Consulting, LLC  
Blackwater Lodge and Training Center, Inc.  
Aviation Worldwide Services, LLC  
Presidential Airways, Inc.  
STI Aviation, Inc.  
Greystone Limited

*All other terms and conditions of your policy remain the same.*

Endorsement(s) applicable to this endorsement and made part hereof at time of issuance:

COUNTERSIGNED

December 1, 2004  
(Date)

BY

C. Michael Daven  
(Authorized Representative)

## INTERNATIONAL COMMON POLICY CONDITIONS

All Coverage Forms included in this policy are subject to the following conditions:

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the "insured" as defined below. The words "we," "us" and "our" refer to the Company providing this insurance.

The word "insured" means the Named Insured shown in the Declarations and any person or organization qualifying as such, if any, under WHO IS AN INSURED within each Coverage Form, and all subsidiary and affiliated companies, entities, divisions, corporations, firms, joint ventures or other interests which exist now and in which you have 50% or more controlling interest.

Other words and phrases that appear in quotation marks, here and within each Coverage Form, have special meaning. Such words and phrases may be defined either in DEFINITIONS or elsewhere within the policy text.

### A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy or any Coverage Form by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 90 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. If the entire policy is canceled, that date will become the end of the policy period. If a Coverage Form is canceled, that date will become the end of the policy period as respects that Coverage Form only.
5. If this policy or any Coverage Form is canceled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata; however, the cancellation will be effective even if we have not made or offered a refund.

6. If notice is mailed, proof of mailing will be sufficient proof of notice.

#### **B. WHEN WE DO NOT RENEW**

If we decide not to renew this policy, or any coverage forming a part of this policy, we will mail to the first Named Insured shown in the Declarations written notice of the non-renewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing to the address of the first Named Insured will be sufficient proof of notice.

#### **C. CHANGES**

This policy contains all the agreements between you and us concerning the insurance afforded. Only the first Named Insured shown in the Declarations is authorized to request or negotiate changes in the terms of this policy. This policy's terms can be amended or waived only by endorsement issued by us as part of this policy.

#### **D. EXAMINATION OF YOUR BOOKS AND RECORDS**

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years after the expiration date of the policy. Any premium due for exposures that exist but were not reported will be determined by our audit. We will compute such premiums in accordance with our rules, rates and rating plans in effect as of the inception date of the policy.

#### **E. INSPECTIONS, SURVEYS AND AUDITS**

We have the right but are not obligated to:

1. Make inspections and surveys at any time;
2. Give you reports on the conditions we find; and
3. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

- a. Are safe or healthful; or
- b. Comply with laws, regulations, codes or standards.

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations on our behalf.

#### **F. PREMIUMS**

1. The first Named Insured shown in the Declarations:
  - a. Is responsible for the payment of all premiums; and
  - b. Will be the payee for any return premiums we pay.
2. The premium shown in the Declarations was computed based on our rules, rates and rating plans in effect at the time the policy was issued. On each renewal, continuation or anniversary of the effective date of this policy, we will compute the premium in accordance with our rules, rates and rating plans in effect at the time of renewal.

#### **G. MISREPRESENTATION, FRAUD OR INADVERTENT NON-DISCLOSURE**

This insurance will be void if you have willfully concealed or misrepresented any material fact or circumstance or you have committed any fraud, attempted fraud or false swearing concerning this insurance or its subject matter, whether before or after loss. However, your unintentional failure to tell us about all exposures existing on the effective date of this insurance for which coverage(s) may exist under this policy shall not be a reason by itself for us to deny coverage under this policy.

#### **H. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY**

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual Named Insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

#### **I. NUCLEAR ENERGY LIABILITY EXCLUSION**

This insurance does not apply under any Liability Coverage or Medical Payments Coverage to "bodily injury," "property damage," or expense arising out of the radioactive, toxic or explosive properties of "nuclear material."

As used in this exclusion:

"Nuclear material" means any:

1. source material, special nuclear material or by-product material as defined or described in the Atomic Energy Act of 1954 and in any law amendatory thereto
2. solid or liquid fuel element or fuel component which has been used or exposed to radiation in a "nuclear reactor"
3. waste material resulting from the operation of any "nuclear facility"

"Nuclear facility" means any:

1. nuclear reactor or apparatus designed or used to:
  - (a) sustain nuclear fission in a self supporting chain reaction; or to
  - (b) contain a critical mass of fissionable material
2. any site, structure, basin, excavation, or place used for the preparation, use, storage or disposal of any "nuclear material;" including all operations and premises used for such purposes
3. any equipment or device designed or used for processing, fabricating or alloying "nuclear material" including, but not limited to:
  - (a) separating the isotopes of uranium or plutonium,
  - (b) processing or utilizing "spent fuel" or
  - (c) handling, processing or packaging any waste or by-product material resulting from the operation of any "nuclear facility" defined above.

For the purpose of this exclusion:

"Property damage" also includes all forms of radioactive contamination of property; and

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor.

## J. POLICY TERRITORY

This insurance applies to "occurrences" anywhere in the world except the United States, its territories and possessions, Puerto Rico and Canada. This insurance is also subject to restrictions specified in the Prohibited Transactions paragraph L. below.

## K. JURISDICTION

The settlement, investigation and defense provisions of this policy shall apply to "claims" made or "suits" brought anywhere in the world, subject to restrictions in the Prohibited Transactions paragraph L. below.



In other jurisdictions where we may be prevented by law or otherwise from paying any sums on your behalf or investigating or defending any "claim" or "suit," the provisions of this policy that provide for payment on your behalf is amended to provide that we will indemnify you for such sums or expenses when made with our written consent.

In any case in which we elect not to investigate, settle or defend, you, under our supervision, will make or cause to be made such investigation and defense as may be reasonably necessary, and, subject to prior written authorization by us, will effect to the extent possible such settlement or settlements as we and you deem prudent. We will reimburse you for the reasonable cost of such investigation, defense or settlement.

#### **L. PROHIBITED TRANSACTIONS**

This policy shall exclude any insurance transactions prohibited by law or regulation of any country, other than coverage provided as non-admitted insurance as stated in M. below.

#### **M. NON-ADMITTED INSURANCE**

This policy provides non-admitted insurance. We will not be responsible for any fines, taxes, or other penalties for non-admitted coverage whether or not you have obtained admitted insurance for your local operations in any country. We are not responsible for providing any locally required bonds, certificates, or other evidence of insurance where this policy is non-admitted insurance.

This policy does not provide non-admitted insurance where prohibited by law or regulation of the United States of America.

#### **N. LANGUAGE**

If you have local insurance in any country with terms and conditions that are in conflict with this policy, the terms and conditions of this policy will govern any coverage provided by this policy.

#### **O. OTHER INSURANCE**

In addition to the Other Insurance conditions contained in Coverage Forms, the following conditions are added:

1. When you have insurance within any country against a loss that is also covered by this policy, this insurance will be excess only and reduced by and will not contribute to any local policies. However, if local valid and collectible insurance does not respond to a loss which is otherwise covered by this policy, then this insurance will be primary insurance and respond in accordance to conditions.



2. If we have issued more than one policy or Coverage Form that applies to the same damages to which this policy applies, whether issued by us or by one of our subsidiaries, affiliates, partners, or associates, then the total limit of insurance under all such policies or Coverage Forms shall not exceed the highest applicable limit under any one of those policies or Coverage Forms.

#### **P. LOCAL COVERAGE WARRANTY**

In consideration of the premium for which this policy is written, it is a condition hereof that all local insurance will be maintained in full force and effect during the term of this policy and any renewal or replacement of such policies will not be more limited or restrictive than the current limits and coverage, unless specific written approval is provided by us. In the event you fail to maintain such local insurance, this policy will apply as though such insurance were in force.

#### **Q. SUBROGATION**

If any person or organization to or for whom we make payment under any Coverage Form of this policy has rights to recover damages from another, then those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. You may waive your rights against another party in writing only:

1. Prior to any known loss, "claim," "suit," accident or "occurrence," or
2. After a known loss "claim," "suit," accident or "occurrence" if the other party is someone insured by this insurance or a business firm owned or controlled by you or which owns or controls you.

#### **R. SEVERABILITY**

Wherever possible, each provision of this policy will be interpreted in such manner and to such an extent as to be effective and valid under applicable law. If any provision of this policy or the application thereof to any party or circumstance shall, to any extent be or become invalid or unenforceable, the remainder of the policy or the application of such provision to parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

#### **S. ABANDONMENT**

There can be no abandonment of any property to us.

**T. NO BENEFIT TO BAILEE**

No person or organization, other than you, having custody of covered property, will benefit from this insurance.

**U. BANKRUPTCY**

Bankruptcy or insolvency of the "insured" or of the "insured's" estate will not relieve us of our obligations under this Policy.

**V. CURRENCY VALUATION**

Unless otherwise indicated, all amounts used herein are in United States Dollar currency. Premium under this policy shall be paid in United States Dollars. We may settle, where permitted, all losses or damage at the location of the loss, "occurrence," "claim," or "suit" with your local representatives or the claimants. Such settlements shall be adjusted and paid, at our discretion, in United States currency or in the currency of the country where the loss occurred. When a loss or expense is paid in foreign currency, the prevailing free rate of exchange published by Citibank as of the date of loss payment will be used to determine the U.S. Dollar equivalent. If any part of or all of the adjustment is based on the cost of replacement or reconditioning, then the rate of exchange at the time the cost is incurred will be used.

Should this policy cover Loss of Income/Business Interruption or Extra Expense, the loss is to be computed in the local currency and converted into United States currency at the average Citibank exchange rate for each thirty (30) day period of interruption, or lesser period of time if applicable.

**W. CONTRACT INTERPRETATION**

In the event of any dispute related to language, coverages, terms and conditions under this contract, the "insured" and the Company shall submit to the jurisdiction of the applicable United States state or federal court in the state in which the insured maintains its principal place of business on the first date on which this policy is effective and all matters hereunder shall be determined in accordance with the law and practice of such court.

**X. LIBERALIZATION**

If we adopt or make any changes:

1. within 30 days prior to the effective date shown in the Declarations; or
2. during the policy period,

which could broaden this insurance without an additional premium charge, you will automatically receive the benefit of the broadened coverage.

## Y. DEFINITIONS

When used in this policy:

1. "Government Action" means:

- a. Order of civil authority except acts of destruction at the time of and for the purposes of preventing the spread of fire provided that such fire did not originate from any causes excluded in this coverage;
- b. Seizure or destruction of property under quarantine or customs regulations;
- c. Confiscation, expropriation or nationalization of property by order of any government or public authority, unless this particular coverage is provided by endorsement or within any other Coverage Form.

2. "Contraband" means:

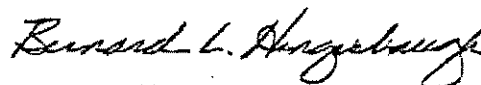
- a. Illegal or prohibited traffic;
- b. Goods or merchandise whose importation, exportation or possession is forbidden.

3. "War" means:

Any consequence, whether direct or indirect, of invasion, act of foreign enemy, hostilities, or warlike operations (whether "war" be declared or not), civil war, mutiny, military or popular uprising, factional civil commotion, insurrection, rebellion, revolution, military or usurped power, martial law or state of siege or any of the events or causes which determine the proclamation or maintenance of martial law or state of siege.

Your policy has been signed below on our behalf by our Chairman and by our Secretary. However, your policy will not be binding on us unless it is also countersigned by one of our duly authorized representatives.

  
Secretary

  
Chairman of the Board



## International Voluntary Workers' Compensation and Employers' Liability Coverage Form

### Declarations

NAMED INSURED: Blackwater Security Consulting, LLC

Policy No. DBA 22 390 1731

EFFECTIVE DATE: March 18, 2004 to June 18, 2004

### Limits of Insurance

#### Workers Compensation Insurance:

Part One of this Coverage Form applies to the Workers' Compensation Law of the states, territories and countries listed here:

U.S./Canadian Employees:	Statutory Defense Base Act
Third Country National Employees:	Statutory Defense Base Act
Local National Employees:	Statutory Defense Base Act

#### Employers Liability Insurance:

Part Two of this Coverage Form applies to Employers' Liability, with Limits of Insurance as follows:

Bodily Injury by Accident \$1,000,000 each accident  
Bodily Injury by Disease \$1,000,000 policy limit

### Sublimits/Additional Coverages/Coverage Extensions

	<u>Limits</u>
Excess Repatriation	\$50,000 per Employee / \$250,000 Annual Aggregate

### Premium

Categories	Classifications	Prem. Rating Basis	Rate	Premium
US Nationals	Security guards (KER/ESS contract)	\$2,002,938 (p)	20.3570	\$407,751

Total Advance Premium:	\$407,751
Subject to a Minimum Earned Premium of:	\$400,000

All information required for calculation of premium is subject to verification and change by audit.

### Notes

#### \* Premium Rating Basis:

(p) for Payroll (per \$100 of payroll) (t) for trips (each trip) (u) for Units (each unit)

Form(s) and Endorsement(s) applicable to this Coverage Form and made part hereof at time of issuance:  
WP 0010 02 01

WP DEC 0010 02 99

NO PREMIUM CHARGE HAS BEEN MADE FOR THE WAR-  
RISK HAZARD, IT BEING UNDERSTOOD THAT THE UNITED  
STATES GOVERNMENT SELF-INSURES THE EXPOSURES  
MAINTAINED UNDER THE PROVISIONS OF THE WAR HAZARD  
COMPREHENSIVE ACT

# **INTERNATIONAL VOLUNTARY WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY COVERAGE FORM**

## **GENERAL SECTION**

### **A. THE COVERAGE FORM**

This Coverage Form includes the Declarations and all endorsements and schedules listed therein. It is a contract of insurance between you (the employer named as a Named Insured in the Declarations) and us (the insurer named in the Declarations). The only agreements relating to this insurance are stated in this Coverage Form and in the Common Policy Conditions. The terms of this Coverage Form may not be changed or waived except by endorsement issued by us to be part of this Coverage Form.

### **B. WHO IS AN INSURED**

You are an insured if you are an employer named as a Named Insured in the Declarations. If that employer is a partnership, and if you are one of its partners, you are an insured, but only in your capacity as an employer of the partnership's "employees."

### **C. WORKERS' COMPENSATION LAW**

Workers' Compensation Law applicable to Part One of this Coverage Form means the workers' compensation law and occupational disease law of any "state," territory or country listed in the Declarations with respect to any "employee" or group of "employees." It includes any amendments to that law which are in effect or take effect during the policy period. It does not include the provisions of any law that provides non-occupational disability benefits.

## **PART ONE— WORKERS' COMPENSATION INSURANCE**

### **A. HOW THIS INSURANCE APPLIES**

This workers' compensation insurance applies to bodily injury by accident or bodily injury by disease, as set forth below. Bodily injury includes resulting death.

1. Bodily injury by accident must occur during the policy period and in the policy territory.
2. Bodily injury by disease must be caused or aggravated by the conditions of the "employee's" employment. The "employee's" last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.
3. It is agreed that the term disease as used in this Coverage Form shall include any endemic disease and such insurance as is provided by this Coverage Form under Part One—Workers' Compensation Insurance, shall apply as if endemic disease were included in the provisions of the Workers' Compensation Law or the occupational disease law as designated in the Declarations, except that the provisions of this paragraph shall apply only to U.S. citizens or foreign nationals hired in the United States or as may be specifically covered in the Declarations.
4. For "employees" subject to "temporary travel," insurance shall apply from the time the "employee" boards any aircraft, vessel, or other medium of transportation which is bound for a destination outside of the United States of America, its territories and possessions, Puerto Rico, Canada, or the "state of hire" and shall cease when the "employee" alights from the medium of transportation returning to the United States of America, its territories and possessions, Puerto Rico, Canada or the "state of hire."

#### **B. WE WILL PAY**

1. We will voluntarily pay, on your behalf, an amount equal to, but not in excess of, the benefits you would be required to pay if you and the "employees" described in the Declarations were subject to the Workers' Compensation Law designated in the Declarations. The only exception to this provision is as provided for in Paragraph E.—Excess Repatriation Expenses.
2. We will pay the amounts to the "employees" who would be entitled to them under the law of the "states" shown in the Declarations.
3. If "State of Hire," or a specific "state" appears after the words "U.S./Canadian Employees" in the Declarations for Voluntary Compensation, then with respect to "employees" for whom you wish to provide the benefits of a "state" of the United States of America (including its territories and possessions), province of Canada, or Puerto Rico, the benefits will be:
  - (a) Those of the "state" to which you agreed with the "employee" prior to the accident or the discovery of the disease; or
  - (b) If no "state" was agreed with the "employee" prior to the accident or the discovery of the disease, the benefits of the specific "state" shown in the

Declarations for "U.S./Canadian Employees" as an alternative to "state of hire," or

- (c) If no "state" was agreed with the "employee" prior to the accident or the discovery of the disease, and no specific "state" is shown in the Declarations for "U.S./Canadian Employees," the benefits of the "state" shown in the address of the Named Insured on the first page of the Declarations for this policy will be applied. If this rule cannot apply, for any reason, we will reimburse you for amounts you are required to pay.

#### **C. WE WILL DEFEND**

We have the right and duty to defend at our expense any "claim" or "suit" against you for benefits payable by this insurance. We have the right to investigate and settle these "claims" or "suits." We have no duty to defend a "claim" or "suit" that is not covered by this insurance.

#### **D. SUPPLEMENTARY PAYMENTS**

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any "claim" or "suit" we defend:

1. Reasonable expenses incurred at our request, but not loss of earnings;
2. Premiums for bonds to release attachments and for appeal bonds in bond amounts up to the amount payable under this insurance;
3. Litigation costs taxed against you;
4. Interest on a judgment as required by law until we offer the amount due under this insurance; and
5. Expenses we incur.

#### **E. EXCESS REPATRIATION EXPENSES**

We agree to reimburse you, up to the Per Employee Excess Repatriation limit shown in the Declarations, not to exceed the annual aggregate for this coverage, liability for such additional expenses as reasonably may be incurred over and above normal transportation costs for repatriation of injured, sick or deceased "employees" covered by this insurance from the location of operations to the destination in the United



States, or country of hire, it being understood that such injuries must make repatriation necessary in the opinion of competent medical authorities.

We also agree to reimburse you for:

1. Normal transportation costs to return the previously sick or injured "employee" to the location of operations; and
2. Normal transportation costs to and from the location of operations for a temporary "employee" substituting for the injured or sick "employee;" or
3. Normal transportation costs to the location of operations for a permanent replacement "employee" for the injured, sick or deceased "employee."

Excess repatriation does not apply to "Local National Employees" or "Third Country Nationals" for injuries incurred within the country of origin.

#### **F. PAYMENTS YOU MUST MAKE**

You are responsible for any payments in excess of the benefits regularly provided by the workers' compensation law including those required because:

1. Of your serious and willful misconduct;
2. You knowingly employ an "employee" in violation of law;
3. You fail to comply with a health or safety law or regulation; or
4. You discharge, coerce or otherwise discriminate against any "employee" in violation of the workers' compensation law.

If we make any payments in excess of the benefits regularly provided by the workers' compensation law on your behalf, you will reimburse us promptly.

#### **G. RECOVERY FROM OTHERS**

We have the right, and the rights of persons entitled to the benefits of this insurance, to recover our payments from anyone liable for the injury. You will do everything necessary to protect those rights for us and to help us enforce them.

#### **H. STATUTORY PROVISIONS**

These statements apply where they are required by law.

1. As between an injured "employee" and us, we have notice of the injury when you have notice.

2. Your default or the bankruptcy or insolvency of you or your estate will not relieve us of our duties under this insurance after an injury occurs.
3. We are directly and primarily liable to any person entitled to the benefits payable by this insurance. Those persons may enforce our duties; so may an agency authorized by law. Enforcement may be against us or against you and us.
4. Jurisdiction over you is jurisdiction over us for purposes of the workers' compensation law. We are bound by decisions against you under that law, subject to the provisions of this Coverage Form that are not in conflict with that law.
5. This insurance conforms to the parts of the workers' compensation law that apply to:
  - a. Benefits payable by this insurance;
  - b. Special taxes, payments into security or other special funds, and assessments payable by us under that law.
6. Terms of this insurance that conflict with the workers' compensation law are changed by this statement to conform to that law.

Nothing in these paragraphs relieves you of your duties under this Coverage Form.

## **PART TWO—EMPLOYERS' LIABILITY INSURANCE**

### **A. HOW THIS INSURANCE APPLIES**

This Employers' Liability insurance applies to bodily injury by accident or bodily injury by disease, as set forth below. Bodily injury includes resulting death.

1. The bodily injury must arise out of and in the course of the injured "employee's" employment by you.
2. The employment must be necessary or incidental to your work in a "state," territory or country listed in the Declarations.
3. Bodily injury by accident must occur during the policy period.
4. Bodily injury by disease must be caused or aggravated by the conditions of the "employee's" employment. The "employee's" last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period. It is agreed that the term disease as used in this Coverage Form shall include any endemic disease.

### **B. WE WILL PAY**

We will pay all sums you legally must pay as damages because of bodily injury to your "employees," provided the bodily injury is covered by this Employers' Liability

Insurance, and subject to the applicable limits shown in the Declarations. The damages we will pay, where recovery is permitted by law, include damages:

1. For which you are liable to a third party by reason of a "claim" or "suit" against you by that third party to recover the damages claimed against such third party as a result of injury to your "employee;"
2. For care and loss of services;
3. For consequential bodily injury to a spouse, child, parent, brother or sister of the injured "employee;" provided that these damages are the direct consequence of bodily injury that arises out of and in the course of the injured "employee's" employment by you; and
4. Because of bodily injury to your "employee" that arises out of and in the course of employment, claimed against you in a capacity other than as employer.

### C. EXCLUSIONS

This insurance does not cover:

1. Punitive or exemplary damages because of bodily injury to an "employee" employed in violation of law, whether or not you have actual knowledge;
2. Bodily injury to an "employee" while employed in violation of law with your actual knowledge or the actual knowledge of any of your executive officers;
3. Any obligation imposed by a workers' compensation, occupational disease, unemployment compensation, or disability benefits law, or any similar law;
4. Bodily injury intentionally caused or aggravated by you;
5. Bodily injury and occupational disease occurring within the United States of America, its territories or possessions, Puerto Rico or Canada; but this exclusion shall not apply to non-U.S./Canadian based "employees" while traveling in the United States of America or Canada while on business, nor to Canadian based "employees" while traveling in the United States of America on business;
6. Damages arising out of coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any "employee," or any personnel practices, policies, acts or omissions; or
7. Maritime coverage. It is further understood and agreed that the insurance provided under this Coverage—Employers' Liability shall not apply to the master or member of the crew of any vessel, nor to any sums which the insured shall become legally obligated to pay as a result of a "suit" or legal action brought under the provisions of the Jones Act, Death on the High Seas Act, or other applicable statutes.

#### **D. WE WILL DEFEND**

We have the right and duty to defend, at our expense, any "claim" or "suit" against you for damages payable by this insurance. We have the right to investigate and settle these "claims" and "suits." We have no duty to defend a "claim" or "suit" that is not covered by this insurance. We have no duty to defend or continue defending after we have paid our applicable limit of liability under this insurance.

#### **E. SUPPLEMENTARY PAYMENTS**

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any "claim" or "suit" we defend:

1. Reasonable expenses incurred at our request, but not loss of earnings;
2. Premiums for bonds to release attachments and for appeal bonds in bond amounts up to the limit of our liability under this insurance;
3. Litigation costs taxed against you;
4. Interest on a judgment as required by law until we offer the amount due under this insurance; and
5. Expenses we incur.

#### **F. LIMITS OF LIABILITY**

Our liability to pay for damages is limited. Our limits of liability are shown in the Declarations. They apply as explained below:

1. Bodily Injury by Accident. The limit shown for "Bodily Injury by Accident-Each Accident" is the most we will pay for all damages covered by this insurance because of bodily injury to one or more "employees" in any one accident. A disease is not bodily injury by accident unless it results directly from bodily injury by accident.
2. Bodily Injury by Disease. The limit shown for "Bodily Injury by Disease-Policy Limit" is the most we will pay during the policy period for all damages covered by this insurance and arising out of bodily injury by disease, regardless of the number of "employees" who sustain bodily injury by disease. The limit shown for "Bodily Injury by Disease-Each Employee" is the most we will pay for all damages because of bodily injury by disease to any one "employee." Bodily injury by disease does not include disease that results directly from a bodily injury by accident.
3. We will not pay any "claims" for damages after we have paid the applicable limit of our liability under this insurance.

#### **G. RECOVERY FROM OTHERS**

We have your rights to recover our payment from anyone liable for an injury covered by this insurance. You will do everything necessary to protect those rights for us and to help us enforce them.

#### **H. ACTIONS AGAINST US**

There will be no right of action against us under this insurance unless:

1. You have complied with all the terms of this policy; and
2. The amount you owe has been determined with our consent or by actual trial and final judgment.

This insurance does not give anyone the right to add us as a defendant in an action against you to determine your liability. The bankruptcy or insolvency of you or your estate will not relieve us of our obligations under this Part.

#### **PART THREE—YOUR DUTIES IF INJURY OCCURS**

- A. Provide for immediate medical and other services required by the workers' compensation law.
- B. Give us or our agent the names and addresses of the injured persons and of witnesses, and other information we may need.
- C. Promptly give us all notices, demands and legal papers related to the injury, "claim" or "suit."
- D. Cooperate with us and assist us, as we may request, in the investigation, settlement or defense of any "claim" or "suit."
- E. Do nothing after an injury occurs that would interfere with our right to recover from others.
- F. Do not voluntarily make payments, assume obligations or incur expenses, except at your own cost.

**PART FOUR—PREMIUM****A. DESCRIPTION OF OPERATIONS**

The Declarations shows the rate and premium basis for certain business or work descriptions. These rates were assigned based on descriptions supplied by you for the exposures you will have during the policy period. If your actual exposures are not properly indicated by those descriptions, we will assign proper descriptions, rates and premium basis by endorsement to this Coverage Form.

**B. REMUNERATION**

Premium for each work description is determined by multiplying a rate times a premium basis. Remuneration is the most common premium basis. Remuneration includes but is not limited to overtime, bonuses, and cash allowances for cost-of-living and board and lodging during the policy period for the services of:

1. All your officers and "employees" engaged in work covered by this Coverage Form; and
2. All other persons engaged in work that could make us liable under Part One (Workers' Compensation Insurance) of this Coverage Form. If you do not have payroll records for these persons, the contract price for their services and materials may be used as the premium basis. This paragraph 2 will not apply if you give us proof that the employers of these persons lawfully secured their workers' compensation obligations.
3. The remuneration of each executive officer of the insured, if a corporation, shall be assigned without division to the highest rated classification which is applicable to any duty undertaken by such executive officer for any part of the time he is employed.

If the premium for this Coverage Form is on a per capita charge basis, such charges shall not be subject to adjustment except as provided for in the event of cancellation of this Coverage Form, as specified in the Common Policy Conditions.

**C. RECORDS**

You will keep records of information needed to compute premium. You will provide us with copies of those records when we ask for them.

**PART FIVE—CONDITIONS****A. DEFENSE BASE ACT**

1. If the Defense Base Act is shown in the Declarations as applicable to any "employee" or group of "employees," then the above definition of Workers' Compensation Law



(GENERAL SECTION—Paragraph C) includes, with respect to such "employees," the Defense Base Act (42 USC Sections 1651-1654), any amendments to that law that is in or takes effect during the policy period, and any provisions of the Longshoremen's and Harbor Workers' Compensation Act that apply to that law.

2. It is understood and agreed that no premium will be charged, and no portion of the rating is for any benefits which may become payable under the provision of the War Hazards Compensation Act and any subsequent amendments or modification thereto. It is understood the United States Government self-insures these exposures and will reimburse the company for any and all losses falling under the act, so long as no charge is made for the coverage by the company.

## B. OTHER INSURANCE

If you have an insurance policy issued in any "state," territory or country providing valid and collectible insurance against a loss covered by this insurance or your "employees" are covered by any statutory plan or program of social security or other government benefits, the insurance under this Coverage Form shall be excess insurance over such other insurance or benefits and the limits of insurance of this Coverage Form shall be reduced by an amount equal to the limits of insurance afforded by such other policy, plan or benefit program. We will not pay more than our share of damages and costs covered by this insurance and other insurance or self-insurance. Subject to any limits of liability that apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

## PART SIX—DEFINITIONS

- A. "Claim" means a verbal or written demand placed on the "insured" by a third party for monetary compensation as a result of covered bodily injury by accident or bodily injury by disease which is covered under this Coverage Form.
- B. "Employee" means anyone employed by the Named Insured including any volunteer worker. At your option, "employee" may include individuals who are independent contractors with whom you have a written contract in which you agree to provide them the benefits of voluntary workers' compensation. "Employee" includes:
  1. "U.S./Canadian Employees" defined as any U.S./Canadian citizen or legal permanent resident of the United States (including its territories and possessions) Puerto Rico and Canada hired or assigned to work, or on "temporary travel" for business purposes, within the "policy territory."



2. "Third Country Nationals" defined as any "employee," other than "U.S./Canadian Employees," working within, or on "temporary travel" for business purposes, within the "policy territory" but outside their "state of hire."
  3. "Local National Employee" defined as any "employee" other than "U.S./Canadian Employees" working within the policy territory and within their "state of hire," but coverage under this policy is provided only as respects travel outside of their "state of hire."
  4. Non-U.S./Canada based "employees" on "temporary travel" for business purposes in the United States of America or Canada.
  5. Canadian-based "employees" on "temporary travel" for business purposes in the United States of America.
- C. "State" means any nation or political sub-division which has a workers' compensation law and includes the states of the United States of America (including its territories and possessions), the District of Columbia, Puerto Rico, and the provinces of Canada.
- D. "State of Hire" means the benefits of the "state" in which you hire an "employee" or from which you assign an "employee" to work elsewhere. "State of hire" also includes any state where you have contractually agreed to provide benefits. In the event the employee is deemed eligible for more than one "state of hire" benefit, the employee may choose which of the applicable "state of hire" benefits to accept.
- E. "Suit" includes, but is not limited to a civil proceeding in a court of law in which damages to which this insurance applies are alleged. "Suit" includes:
1. An arbitration proceeding in which such damages are claimed and to which you must submit or do so with our consent; or
  2. Any other alternative dispute resolution proceeding in which such damages are claimed and to which you submit with our consent.
- The company shall be entitled to exercise all of the "insured's" rights in the choice of arbitrators and in the conduct of any arbitration proceeding.
- F. "Temporary travel" means a consecutive period of time of 30 days or less duration.